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REGULATION OF FOREIGN INVESTMENT IN ARAB COUNTRIES

PART I

Presentation by country

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Note:

This report has been prepared in accordance with the work programme approved by the Committee on Economic Co-operation among Developing Countries at its third session (resolution 2 (III), para. 2 (a) (ii)) and its fifth session (resolution 4 (v), para. 4 (b) (ii)). The views expressed in this report are those of the author and do not necessarily reflect those of the UNCTAD secretariat. The terminology is also that of the author. The designations employed and the presentation of the material in this report do not imply the expression of any opinion whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area, or of its authorities, or concerning the delimitation of its frontiers or boundaries.

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INTRODUCTION

1. This addendum supplements document UNCTAD/ST/ECDC/42(Part I), which covered the regulations of 12 Arab countries (Algeria, Djibouti, Egypt, Jordan, Kuwait, Morocco, Saudi Arabia, Somalia, Sudan, Oman, Tunisia and the United Arab Emirates).

2. The present report covers the regulations of seven Arab countries (Bahrain, Egypt, Iraq, Democratic Yemen, Qatar, the Syrian Arab Republic and Yemen). Since the Investment Code of Egypt was received after publication of document UNCTAD/ST/ECDC/42(Part I), it has been included in the present study. The section on Egypt in the present study is therefore a revised version of UNCTAD/ST/ECDC/42(Part I), paragraphs 48-73.

3. The topics dealt with in this volume are the same as those covered in document UNCTAD/ST/ECDC/42(Part I), namely: objectives, definitions and scope; general guarantees and requirements; authorization procedure; advantages and benefits; individual investment régimes; administrative authorities; monitoring and penalty procedures; settlement of disputes, and reference to other provisions. The report is confined to a systematic presentation of texts of the regulations in each country on investment, following a specific plan and specifying the article or chapter in question when reference is made to a legislative or statutory text. This study does not refer to the systems of guarantees provided for in bilateral agreements concluded by investment-exporting States and receiving States or to specific agreements between investors or enterprises and receiving States. It also does not contain an evaluation of the implementation of investment régimes.

4. The countries considered in this study have enacted legislation designed to promote and increase national and foreign investment. In some cases the regulations in question are directly concerned with foreign investment (Egypt, Democratic Yemen, Qatar and Yemen). In other cases there is no specific legislation for foreign investment, but relevant provisions are contained in various laws, statutes and statements (Bahrain, Iraq and Syrian Arab Republic). The regulations discussed in this report were in force on 31 August 1989. The basic sources for the study were collections of laws and regulations, official gazettes and publications of administrative authorities responsible for investment.

5. The UNCTAD secretariat has already published similar studies relating to African countries 1/ and Asian developing countries. 2/ Work in this field will subsequently be extended to include the Latin American and Caribbean region.

6. Inevitably, in studies of this sort, certain legal information may be left out. Addenda will therefore be published from time to time containing amendments and revisions. The legal texts concerning foreign investments in Arab countries referred to in the bibliography at the end of this report and the studies on the regulation of foreign investment in African and Asian developing countries can be obtained from the ECDC Division, UNCTAD, Palais des Nations, Geneva.

I. COUNTRY STUDIES

A. BAHRAIN

7. There are no specific regulations concerning foreign investment in Bahrain. Order No. 6 of 1984 concerning the regulation of industry, Decree No. 1 of 1986 promulgating the implementing regulation for Order No. 6 of 1984, and Legislative Decree No. 11 of 1985 concerning national industry and protection support establish a regulatory system for industrial establishments in Bahrain. Other regulations for foreign investment include: Law of Commercial Companies; Decree No. 28 of 1975, as amended by Decrees No. 13 of 1980 and No. 23 of 1981 and Ministerial Order No. 25 of 1977; and Decree No. 23 of 1976 concerning the Labour Law.

1. Areas of investment and general conditions

8. Order No. 6 of 1984 and Decree No. 1 of 1986 apply to all industrial establishments, defined as every establishment the principal object of which is to convert raw materials into fully or semi-manufactured products and to transform semi-manufactured products into fully manufactured products or to mix, assemble, pack or wrap products using mechanical power.

9. Under the Regulations for Industry, the capital participation of Bahrainis or citizens of other Gulf countries must not be less than 51 per cent of the shares of industrial establishments. In addition, industrial establishments must comply with the following conditions: the share of local production included in manufacture must not be less than 20 per cent in the first three years from the date of commencement of protection and must rise to more than 40 per cent five years after this date; one year must have elapsed from the commencement of production; products of the establishment seeking protection must be of high quality; the establishment's production must meet a reasonable proportion of local consumption, as determined by the appropriate authorities; the establishment must properly exploit the means of production, such as raw materials, manpower and the like; and the information requested by the National Industry Protection and Support Committee must be provided (Order No. 6 of 1984, arts. 1 and 5).

10. Under Decree No. 11 of 1987, new industrial projects will have to comply with the following further conditions: a feasibility study will have to be submitted and be satisfactory to the Ministry of Development and Industry; employment and training opportunities for Bahraini manpower must be made available; and a project will have to contribute to the support of industrial development, particularly as regards replacing imports, promoting exports and using locally available means of production (Decree No. 11 of 1985, art. 3).

2. General guarantees

11. Bahrain has approved the proposed regulations for the practice of economic activities in the country by nationals of Gulf Co-operation Council States, in accordance with the Unified Economic Agreement which had already been signed by the Heads of the Gulf Co-operation Council States. These regulations include guarantees and facilities in the field of contracting activities.

12. There are non-specific regulations concerning foreign exchange and unrestricted repatriation of profits on capital. Bahrain is party to the Consolidated Agreement for the Investment of Arab Capital in the Arab Countries. This Agreement guarantees free movement of Arab capital within States parties to the Agreement, guarantees non-discrimination of Arab capital and secures for the Arab investor the right to transfer his capital to any participant country after paying his due obligations without any legal, administrative or bank restrictions (chap. II, sects. 2, 6 and 7 of the Consolidated Agreement).

3. Application and approval procedures

13. Under Order No. 6 of 1984, applications for the issue of licences to establish, operate and expand industrial enterprises must be submitted to the Department of Industry at the Ministry of Development and Industry, in the form specified by the Minister for Development and Industry, together with the requisite fees and documents substantiating the information required. If the applicant is a company, it must submit proof of its establishment in accordance with the provisions of the Commercial Companies Act (art. 1).

14. In deciding whether or not to grant a licence, the Ministry of Development and Industry is required to take into account the country's economic needs, the requirements of its development programmes, the capacity of the local market bearing in mind any similar establishments, export possibilities, and whether or not the enterprise would be contrary to the public interest. A decision on the application should be made within 60 days (arts. 5 and 9).

15. Under the same order, any owner of an industrial establishment must apply to the Ministry of Development and Industry, in the appropriate form, for inclusion in the industrial register within two months of the date of commencement of production. Registration must be renewed each year within 30 days of the end of the preceding year. Where the owner of the enterprise leaves the enterprise or dies, or the enterprise goes into liquidation, the owner of the enterprise or his heirs must apply within one month to have the enterprise removed from the Industrial Registry. Changes in the details registered must be notified within 90 days (arts. 17 to 21).

16. Under Decree No. 11 of 1985 concerning national industry protection and support, the application for protection and support must be submitted to the Department of Industry in the Ministry of Development and Industry, on forms prepared by the National Industry Protection and Support Committee.

4. Benefits

17. Under Decree No. 11 of 1985, the Council of Ministers may, upon a recommendation of the National Industry Protection and Support Committee, give industrial establishments assistance and support, including the following benefits: imposition of customs duty on imports at a rate to be determined by the Council of Ministers; restriction of imports, provided it is for a fixed period; exemption from customs duty on machinery, equipment, and raw materials and semi-finished products needed by the establishments; exemption from export duties; and priority in sales to government departments, provided that the products conform to standard specifications and their price does not exceed that of competing imported products by more than 10 per cent (art. 4).

5. Administrative authorities

18. Order No. 6 of 1984 established the Industry Committee in the Ministry of Development and Industry, responsible for the administration of the provisions of this Order.

19. The Industrial Registration Section in the Ministry of Development and Industry provides information concerning applications for industrial register. Decree No. 11 of 1985 established the National Industry Protection and Support Committee responsible for implementing the provisions of this Law.

6. Penalties and settlement of disputes

20. Under Order No. 6 of 1984 and Decree No. 1 of 1986, a licence may be revoked if the conditions of the licence are broken or if a licence or approval is not obtained when required. This also applies if an establishment ceases operations for one year without good reason. An appeal against such a decision may be made to the High Civil Court within 60 days of its notification (arts. 12 and 13).

21. Under Decree No. 11 of 1985, investor industries risk being deprived of benefits granted under this Decree if they breach any of the terms according to which any benefits have been granted. Where an application under this law has been refused in whole or in part, the applicant may lodge an objection with the High Civil Court within 30 days of being notified of the decision. If no decision is communicated to the applicant within one year of submitting the application, the application shall be deemed to have been refused (arts. 8 and 9).

B. EGYPT

22. In July 1989, Egypt enacted Law No. 230 of 1989 concerning the Investment Code. The Code reaffirms Law No. 43 of 1974 concerning the Investment of Arab and Foreign Capital and the Free Zones and also article 183 of Law No. 159 of 1981 on Joint Stock Companies. The main characteristics of the new legislation include: simplification of approval procedures; increased freedom with regard to the remittance of profits; unification of tax exemptions for investment projects and customs duties; and increased powers of the General Authority for Investment. Other regulations governing foreign investment include: Income Tax Law No. 57 of 1981; Law No. 66 of 1963 enacting the Customs Code; Law No. 97 of 1976 concerning Regulation of Foreign Currency Transactions; Law No. 133 of 1981 on Consumption Tax Law; and Law No. 73 of 1973 specifying the conditions and procedures for the election of workers' representatives in public sector production units and private joint stock companies.

1. Definitions

23. Under the Investment Code, the term "Investment Capital" means: (a) freely convertible foreign currency transferred through a bank registered with the Central Bank for use in the establishment or expansion of an enterprise; (b) freely convertible foreign currency transferred through a bank registered with the Central Bank in order to subscribe to or purchase Egyptian securities on the stock markets in Egypt in accordance with the rules laid down by the Board of Directors of the Authority for Investment; (c) Egyptian

currency paid out with the approval of the competent authorities in settlement of obligations to be fulfilled in freely convertible foreign currency, provided that it is used to establish or expand an enterprise; (d) machinery, equipment, raw materials, commodities and means of transport imported from abroad to establish or expand an enterprise; (e) intangible assets held by persons resident abroad for use in enterprises, such as patents and trade marks registered in States parties to the International Convention on the Protection of Industrial Property or in accordance with the rules on international registration set out in the international conventions concluded in this field; (f) an enterprise's profits transferable abroad, provided that they are used to supplement or increase its own capital or invest in another enterprise; (g) local currency paid out in Egyptian pounds by an Egyptian individual or body corporate, the majority of whose capital is owned by Egyptians; (h) domestic intangible rights and assets for use in the establishment or expansion of an enterprise; and (i) profits on the domestic capital provided that they are used to supplement or increase the capital of the enterprises concerned or to invest in another enterprise (art. 3).

24. Under the Investment Code the expression "Egyptian capital" means investment capital (as provided for in article 3 of the Code) owned by an individual or a body corporate the majority of whose capital is owned by Egyptians. The expression "Arab capital" means investment capital (as provided for in article 3 of the Code) owned by an individual holding the nationality of an Arab State or by a body corporate the majority of whose capital is owned by persons holding the nationality of an Arab State. The expression "foreign capital" means investment capital (as provided for in article 3 of the Code) owned by an individual holding the nationality of a non-Arab State or by a body corporate the majority of whose capital is owned by persons holding the nationality of a non-Arab State. The term "enterprise" means any activity, whatever its legal form, falling within the scope of the Investment Code (art. 2).

2. Areas of investment and general conditions

25. In accordance with the provisions of the Investment Code, investment must be conducted in conformity with the general policy of the State and the objectives and priorities of the national plan for economic and social development. Fields of investment include: reclamation and cultivation of uncultivated and desert land; industry; tourism; and housing and construction. The Council of Ministers acting on a proposal of the Board of Directors of the Authority, may add other spheres of activity, according to the country's needs and economic activities, requiring advanced technology or aimed at increasing exports and reducing imports or intensifying the use of manpower (art. 1).

26. Egyptian, Arab or foreign capital may be invested separately or jointly in the areas of investment included in the Code. For reasons dictated by the public interest and acting on a proposal of the Board of Directors of the General Authority for Investment, the Prime Minister may specify certain areas in which Arab and/or foreign capital may not be invested otherwise than jointly with Egyptian capital and its proportional participation (art. 5).

3. General guarantees

27. Under the Investment Code, the transfer and repatriation of investment capital and the transfer abroad of profits may be effected within the limits of the credit balance of the enterprise's foreign currency account, subject to the terms and conditions established by the Law (arts. 4, 21 and 22).

28. The repatriation of investment capital may be effected at the request of the investor, subject to the approval of the Board of Directors of the General Authority for Investment, on the following terms: (a) investment capital may be transferred abroad at the highest quoted rate of exchange within the limits of its value at the time of liquidation or disposal thereof, as appropriate, provided that the General Authority for Investment approves the result of such liquidation and that the transfer takes place in five equal annual instalments. By way of exception, however, the transfer of investment capital may be effected in full, in a single lump sum, if the foreign currency investment balance in the foreign currency registered account so permits or if the Board of Directors of the Authority approves a lump sum transfer for such reasons as it may deem valid; (b) if the investment capital was provided in kind, it may be repatriated in kind (art. 23). An investor may dispose of his investment capital, in full or in part, in freely convertible foreign currency or in local Egyptian currency, after notifying the General Authority for Investment (art. 24).

29. Non-Egyptian experts and workers who come from abroad to work in an enterprise may transfer abroad a portion of their wages, salaries and allowances, up to 50 per cent of the total paid to them. However, the Board of Directors of the Authority may, for such reasons as it may deem valid, allow transfers to exceed that ceiling in special cases (art. 27).

30. Under article 8 of the Investment Code, enterprises may not be nationalized or confiscated. Their assets cannot be seized, blocked, confiscated, reserved or sequestered except in the public interest and in return for fair compensation based on the market value of the property. In general the products of enterprises will not be subject to compulsory pricing and set profit margins. Housing constructed will not be subject to the system of rent-fixing provided for in the legislation on the leasing of premises (arts. 9 and 10).

31. Egypt is a member of the Inter-Arab Investment Guarantee Corporation, whose purpose is to insure private Arab investors against certain non-commercial risks in investments in other Arab countries.

4. Application and approval procedures

32. Under the Investment Code, applications for investment must be submitted, in the prescribed form, to the General Authority for Investment. The Authority evaluates applications and submits its views to the Board of Directors for decision. The decisions taken by the Board of Directors will be transmitted to the Prime Minister for approval. The Board of Directors will take a decision approving or rejecting the application within 20 days from the date of receipt by the Authority.

5. Facilities and incentives

33. Enterprises will be exempt from taxation on commercial and industrial profits and from taxation on finance companies for a period of five years, with the possibility of a five-year extension depending on the enterprise's branch of activity, its geographical location and the extent of its contribution to the increase of exports, the employment of manpower and the promotion of economic and social development. The dividends distributed by the said enterprises will be exempt from the tax on income from movable property and from general income tax. Projects in industrial areas, new cities and housing projects will benefit from a 10-year exemption, with the possibility of a five-year extension (arts. 11 and 12).

34. Twenty-five per cent of the share of each heir or other person entitled to capital invested in the form of holdings or shares in enterprises will be exempt from estate duty on the shares of heirs (art. 13). The deeds of incorporation of enterprises and all other contracts pertaining to an enterprise will be exempt from stamp duty and from registration duties until the enterprise has been fully established (art. 14).

35. According to articles 19 and 20 of the Investment Code, a proportion of the net profits of companies will be distributed annually among their employees, in accordance with rules to be proposed by the board of directors of the company and approved by its general meeting, provided that the proportion is at least 10 per cent of the said profits. Enterprises set up in the form of joint stock companies will not be subject to the provisions of Law No. 73 of 1973, and the procedure for workers' participation in management will be prescribed in the company statutes.

6. Free zones

36. The Council of Ministers, acting on a proposal of the Board of Directors of the General Authority for Investment, may decide to establish public free zones with a view to setting up licensed enterprises. Furthermore, the Board of Directors of the General Authority for Investment may establish private free zones, confined to a single enterprise, if the nature of the enterprise so requires (art. 28). At present, public free zones are being established in Cairo, Alexandria, Suez and Port Said. Each such public free zone is administered by a board of directors, the composition of which, as well as the appointment of its chairman, is decided by the Board of Directors of the Authority. The Board of Directors of the General Authority for Investment is the competent body in respect of free zone affairs. It is responsible for formulating the free zone policy to be pursued in keeping with the general policy of the State and the objectives and priorities of the national plan for economic and social development (art. 29).

37. Applications for licences to conduct operations in a public free zone must be submitted to the board of directors of the public free zone. Applications for projects in private free zones must be submitted to the Board of Directors of the General Authority for Investment. The licence stipulates, inter alia, the purposes for which it is granted, its period of validity and the amount of the financial guarantee furnished by the licensee (art. 30).

38. A project operating in one of the free zones requires no local participation. Incentives available to projects located in the free zones include the following: (a) the exemptions and privileges provided for in the Investment Code will apply, though only within the limits of the purposes specified in the licence; (b) without prejudice to the provisions set forth in the laws and regulations prohibiting the circulation of certain goods or materials, goods exported outside the country, or imported from abroad, by free-zone enterprises for their own purposes will not be subject to import-export regulations; (c) shipping enterprises established in the free zones will be exempt from the stipulations concerning the nationality of the owners and crews of ships, as set forth in the Merchant Marine Code and in Law No. 84 of 1949 concerning the registration of merchant ships (art. 34); (d) exchange control provisions will not apply to investment projects in free zones; (e) remuneration paid to foreign workers by free-zone investment projects will be exempt from the general tax on income; (f) the taxes and duties to be levied in Egypt will not apply to enterprises established in the free zones and their dividends; likewise, capital invested in such enterprises will be exempt from estate duty; however, these enterprises will be required to pay an annual fee amounting to 1 per cent of the value of the goods imported into or exported from the free zones.

7. Administrative authorities

39. The Investment Code established the General Authority for Investment. The Authority is the main organization responsible for the implementation of this Code and for promotion and co-ordination of investments in Egypt. The Authority has a Board of Directors and an executive body. The Chief of the executive body of the Authority conducts the business of the Authority and represents it in litigation and before third parties.

8. Penalties and settlement of disputes

40. Under the Investment Code, the Board of Directors of the Authority may cancel any licence, privilege or guarantee if the investor infringes the provisions of this Code. Several penalties are specified in the event of violation of the obligations stipulated in the Code.

41. Without prejudice to the right to resort to the Egyptian courts, investment disputes relating to the application of the provisions of this Law may be settled in a manner agreed upon with the investor. The parties concerned may also agree to settle such disputes in accordance with the conventions in force between Egypt and the investor's home country, or in accordance with the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, to which Egypt is a contracting party. It may also be agreed to settle the said disputes through arbitration by the Regional Centre for International Commercial Arbitration at Cairo (art. 58).

C. IRAQ

42. The legal structure applied to foreign investors makes a distinction between Arabs and non-Arabs. Arab investors are treated on an equal footing with Iraqi investors. Non-Arab investments in Iraqi companies are not allowed, and under the Companies Law, non-Arab investors are restricted to registering branches and agencies.

43. This chapter is confined to Arab investments and does not refer to non-Arab investments. Regulations concerning Arab investments include: Law No. 60 of 1985 concerning the Implementation of Major Development Projects; Law No. 115 of 1982 on Industrial Investment in the Mixed and Private Sectors; Resolution 767 of 1987; Arab Investment Law No. 46 of 1988; Companies Law No. 36 of 1983; and Regulation No. 17 of 1984, implementing the Companies Law.

1. Areas of investment and general conditions

44. Law No. 60 of 1985 on Implementation of Major Development Projects applies to development projects that are important in terms of the national interest. The Arab Investment Law No. 46 of 1988 encourages Arab investment in industry, agriculture, services and tourism. This law also applies to new projects established by Arab investors. The participation of Iraqi nationals is optional and is limited to a maximum investment of 49 per cent of the projects' capital. Non-Arab foreign investment is prohibited. The minimum investment is 500,000 Iraqi dinars. Investment may be made in the form of convertible currency or real property. Where the real property is machinery, equipment, etc., there is a proviso that the machinery, equipment, etc. must be in good condition and have at least 50 per cent of its useful life remaining.

45. The Law on Industrial Investment in the Mixed and Private Sectors applies to: enterprises which produce goods for final or intermediate consumption, enterprises which are engaged in quarrying, mixing, packing, assembling, cooling, power generating, and the repair of machines, and enterprises which render industrial services, provided, in all cases, that the enterprise's business involves mechanization. Craft and service enterprises are excluded. Only Arab investment is permitted. Applicants for approval of projects must have sufficient financial resources to pay for the estimated cost of the enterprise. In addition, companies must be authorized by their constitutive document to carry on the proposed industrial business (arts. 3 and 6).

46. Under the Law for Industrial Investment in the Mixed and Private Sectors, the maximum nominal capital which industrial enterprises are permitted to have is: for mixed joint stock companies, no capital limit; for joint stock companies in which the share of the public sector is at least 20 per cent and not more than 50 per cent, 7 million Iraqi dinars; for other joint stock companies, 5 million Iraqi dinars; for limited liability companies, 2.5 million Iraqi dinars; for general and simple partnership, 2 million Iraqi dinars; and for sole proprietorships, 1.5 million Iraqi dinars. The ratio of debt to nominal capital may not exceed 150 per cent, except that there is no limit for joint stock companies. Enterprises which have been in existence for five years may, with the approval of the Council and the Minister of Light Industry, increase their nominal capital to up to twice the relevant maximum.

2. General guarantees

47. Iraq has ratified the Consolidated Agreement for the Investment of Arab Capital in the Arab Countries. This Agreement guarantees free movement of Arab capital within member States of the Agreement, guarantees non-discrimination of Arab capital and secures for the Arab investor the right to transfer his capital to any participant country after paying his due obligations without any legal, administrative or bank restriction (chap. II, sects. 2, 6, and 7 of the Consolidated Agreement). Iraq is a member of the

Inter-Arab Investment Guarantee Corporation, whose purpose is to insure private Arab investors against certain non-commercial risks in investments in other Arab countries.

3. Application and approval procedures

48. Under Law No. 60 of 1986 on Implementation of Major Development Projects, authorization is subject to approval by the President of the Republic. The Presidential Decree includes the contract, with the whole or part of the privileges and exemptions stipulated in the Law.

49. Applications under the Law for Industrial Investment in the Mixed and Private Sectors must be submitted to the Directorate General for Organization and Assistance, accompanied by the technical and economic specifications which have to accord with technical and economic recommendations prepared by the State Organization for Industrial Development. The Council of Administration of the State Establishment for Industrial Development decides on the applications submitted, taking into account the guidelines in annual industrial development plans (art. 6).

50. Applications for projects under the Arab Investment Law must be submitted to the appropriate Ministry for its decision. The Ministry is responsible for the general supervision of approved projects, in particular for approving proposed expansions or developments and for estimating the value of any real property invested. An appeal may be made against a Ministry decision within 30 days of its being notified to investors.

4. Incentives and facilities

51. The Major Development Projects Law provides for the granting of tax and other incentives to contractors carrying out work that is important in terms of the national interest. Under the Law for Industrial Investment in the Mixed and Private Sectors, industrial enterprises which have been approved benefit from several incentives and facilities, including: (a) exemption from customs duty and surcharges on all imports of machinery, tools, spare parts, prefabricated buildings for use as offices or to house employees, air conditioning, and protective clothing, whether the goods are imported by the enterprise or the public sector; (b) exemption from customs duty on raw materials within the limits laid down by the Council of Administration of the State Establishment for Industrial Development; (c) exemption for five years from income tax on sums paid for the acquisition of expertise and patents and royalties paid for the use of patents; (d) and exemption from customs duties and surcharges for five years for enterprises in areas other than developed cities for raw materials and spare parts. The rates of exemption are determined by the Council of Administration of the State Establishment for Industrial Development.

52. Under the Arab Investment Law, enterprises which have been approved benefit from several incentives and facilities including: (a) exemption from customs duties on the importation of machinery, equipment, appliances, tools and construction materials required for the project; (b) exemption from customs duties, for a five-year period, on all raw materials and packaging materials required for the project; these exemptions are subject to Ministry approval; (c) exemption from customs duties on fixed capital assets acquired with a view to expanding or developing the project; (d) exemption for a period

of 10 years from property tax on property used for storage of materials and products and dwellings and other buildings for the benefit of project workers; (e) freedom from restrictions on the remittance of profits and other income and the withdrawal of capital; up to 100 per cent of annual profits may be remitted provided that the remitted sums do not exceed 20 per cent of paid-up capital; (f) exemption from income tax on profits allocated to reserves for the purposes of development and expansion; (g) protection of invested capital from the effects of nationalization or confiscation; (h) payment of compensation within one year should a project be repossessed by the State.

5. Administrative authorities

53. The responsible authority under the Law concerning Implementation of Major Development Projects and the Arab Investment Law is the Ministry concerned by the major investment project. Responsibility for implementing the Law for Industrial Investment in the Mixed and Private Sectors lies with the Council of Administration of the State Establishment for Industrial Development, assisted by the Directorate General for Organization and Assistance. The Council prepares plans in accordance with the national development plan.

6. Penalties

54. Licences for industrial investment in the mixed and private sectors may be cancelled in the following cases: alteration in the enterprise's productive capacity; expansion or change of activity of the enterprise; and fusion, division or sale of any or all of the shares in the enterprise, other than the sale of shares of a limited liability or a joint stock company.

55. Under the Arab Investment Law, licences, facilities and incentives may be cancelled, inter alia, in the following cases: breach of the conditions on which approval was granted; not setting up or altering the enterprise within time-limits ranging from one to three years; stopping the enterprise's operations for six months or more; not replacing damaged or old machines when instructed to do so; if raw materials, spare parts, or rented land are put to improper use; and if the enterprise submits false information. In addition, various penalties are specified in the event of violation of the obligations stipulated in the Law.

D. DEMOCRATIC YEMEN

56. The main instrument for regulating foreign investment in Democratic Yemen is the Investment Promotion Act No. 25 of 1981. This Act provides an opportunity for Yemeni, Arab and foreign investors to engage in the investment process either individually or in association with others.

1. Definitions

57. Under the Investment Promotion Act, Arab and foreign invested capital includes the following: (a) freely convertible cash and securities transferred to the State by one or more Arab or foreign individuals or bodies corporate; (b) equipment, machinery and raw materials needed for the establishment or expansion of a project, including vehicles owned by one or more Arab or foreign individuals or bodies corporate, provided they have been imported from abroad; (c) patent, trade mark and other similar rights relating

to the project and registered in accordance with the registration regulations contained in international agreements concluded in this connection, provided they are owned by one or more Arab or foreign individuals or bodies corporate; and (d) the profits and reserves accruing from the investment of Arab or foreign capital in approved projects and which are converted into capital through their reinvestment in Democratic Yemen under the terms of this Act. Cash that is transferred into the State from abroad in fulfilment of an obligation under the laws in force or in order to meet the establishment expenses are not deemed to constitute Arab or foreign capital (art. 4).

58. Investment project means "any unit or institution owned by the State or by one or more Yemeni, Arab or foreign individuals or bodies corporate operating in the field of production or services, capitalized at not less than 5,000 Yemeni dinars and established in accordance with the provisions of the Investment Promotion Act" (art. 1). Joint venture means "any investment project subject to the provisions of the Investment Promotion Act and in which one of the contracting parties is the State and the other party or parties one or more Yemeni, Arab or foreign individuals or bodies corporate" (art. 1).

2. Areas of investment

59. Subject to approval, foreign investment is possible in projects in all economic sectors, priority being given to investment that serves the main national development objectives.

3. General conditions

60. Under the Investment Promotion Act, capital is invested for the following purposes: (a) achievement of the objectives of the National Development Plan; (b) promotion of the governmental sector's role in the national economy; for this purpose, the investment of Arab and foreign capital is confined within the framework of joint ventures; and (c) encouraging Yemeni capital to contribute to development. For the purposes of the consideration of applications from investors, priority is accorded to joint ventures (art. 5).

61. Article 25 establishes the obligation of entrepreneurs in regard to the provision of full information and accurate data, the storage of exempted materials in such a way as to facilitate their inspection, the maintenance of records thereon, and the obligation not to dispose of the project without the approval of the Standing Committee for the Promotion of Investment.

4. General guarantees

62. Under article 18 of the Investment Promotion Act, projects of outstanding importance for the national economy are permitted to transfer the full amount of their net annual profits on invested capital, and foreigners working in the project or institution are permitted to transfer abroad up to 75 per cent of their income, after deduction of income tax. Article 19 of this Act permits investors to transfer invested capital abroad in the same currency as that in which it was imported, or in any other freely convertible currency, five years after investing in the project, at an annual rate of 25 per cent of the proceeds accruing from the disposal of their financial interest or from the actual or book liquidation, whichever is the lesser. Article 22 of this Act stipulates that invested capital may not be transferred to the State unless so required in the public interest or in the event of violation by the investor

of the laws in force. In such a case, the entrepreneur will be granted fair compensation based on the book value of the project and will be permitted to transfer that compensation abroad, in the same currency as that in which the invested capital was introduced into the country, in annual instalments over a period not exceeding five years. Democratic Yemen is a member of the Inter-Arab Investment Guarantee Corporation, whose purpose is to insure private Arab investors against certain non-commercial risks in investments in other Arab countries.

5. Benefits and incentives

63. Authorized projects benefit from the following advantages: (a) exemptions from customs duties and levies on the import of machinery, equipment, appliances and prefabricated construction materials needed for the establishment of the project, provided they are not obtainable from local manufacturers; (b) exemption from customs duties and levies on the import of spare parts needed for the project for a period of two years from the date of the actual start-up of production, provided they are not obtainable from national manufacturers; (c) exemption from, or reduction of, customs duties and levies on the import of raw materials needed for national industrial production for a period of up to three years from the date on which the project actually commences production; (d) exemption from taxation of the project's income for a period of up to five years from the date on which the project actually commences production; (e) exemption of investors and shareholders from taxation of the profits accruing from their investment or participation, which is assessed at 30 per cent of their share of the dividends; and (f) possibility for a project that achieves self-sufficiency in regard to its foreign-currency requirements to transfer the net annual profits on the invested capital to a value equivalent to that of the project's exports (arts. 15 and 18).

6. Application and approval procedures

64. Under the Investment Promotion Act, applications for the investment of Yemeni, Arab and foreign capital must be submitted to the ministries concerned which, in turn, will refer them to the Standing Committee for the Promotion of Investment for the adoption of an appropriate decision thereon within three months from the date of submission of the application. The application may also be submitted directly to the Committee, which shall then decide whether it should be referred to the ministry concerned for comment or approval. Article 20 of the Promotion Investment Act stipulates that the names of the parties contracting to establish projects, the legal status and name of those projects, the object and duration of their activity, their methods of liquidation, their capital and the proportional participation of Yemeni, Arab and foreign investors therein, the methods of subscription, and the rights and obligations of the partners must be specified in the articles of association of joint ventures established in accordance with the provisions of this Act, it being understood that those projects enjoy corporate personality with effect from the date of their registration by the Civil Registrar.

7. Administrative authorities

65. The Standing Committee for the Promotion of Investment is responsible for the implementation of the provisions of the Investment Promotion Act and is the administrative authority responsible for promoting investment.

8. Penalties and settlement of disputes procedures

66. Under the Investment Promotion Act, without prejudice to any more severe penalty prescribed in any other legislative enactment, a fine of not less than 10 Yemeni dinars and not more than 1,000 Yemeni dinars will be imposed on any person who violates the provisions of this Act, it being understood that the amount of the fine shall not be less than the extent of the damage caused (art. 26).

67. Article 24 stipulates that disputes will be settled by negotiation in accordance with the Inter-Arab Investment Guarantee Corporation Agreement or any other regional or international agreements acceptable to the State and the Arab or foreign investor.

E. QATAR

68. There are no specific regulations for foreign investment in Qatar. However, provisions concerning foreign investment are contained in various laws and regulations such as: Act No. 3 of 1985 concerning the participation of non-Qatar capital in economic activity; Act No. 11 of 1980 concerning regulation of industry; Decree No. 25 of 1977 concerning the specification and regulation of the services and safeguards needed to protect workers at places of work; Ministerial Decree No. 3 of 1986 concerning the terms and conditions for the issue of licences for the professional exercise of commercial activities; and Companies Law No. 11 of 1981.

1. Areas of investment and general conditions

69. Under Act No. 3 of 1985 concerning the participation of non-Qatar capital in economic activities, 3/ fields of foreign investment include:

(a) Minor trades such as tailoring, hairdressing, iron and metalworking, upholstering, ordinary repair work and other similar trades. The Minister of Economy and Commerce defines types of minor trades by decree;

(b) Certain large industrial and agricultural projects, if they have one or more Qatar partners, provided that not less than 51 per cent of the company's capital is Qatar-owned. Large industrial and agricultural projects include the following: industrial or agricultural projects with an invested capital of not less than a quarter of a million Qatar riyals and a permanent work-force of not less than 10 persons; projects that require specialized foreign management and in which the foreign party insists on participation in return for agreeing to undertake such management; medium and heavy industries that require a high level of technical expertise; projects for the production of feedstock, cereals, vegetables, fruits, sugar and cotton, excluding the food industries; air-conditioned greenhouse projects; projects for the production of meat, fish, eggs and milk, excluding the dairy produce industry; and other further projects in accordance with the requirements of public interest (art. 6).

70. Under Act No. 3 of 1985, a project is not considered industrial unless the cost of raw materials of local origin, local labour and other local production costs involved in the manufacturing process represent not less than 40 per cent of the total production cost. A project may establish a shop outlet for the distribution of its products provided the outlet is confined to the distribution of industrial or agricultural products and the main activity of the project remains industrial or agricultural and the commercial activity remains a subordinate activity (arts. 7 and 8).

71. Under article 9 of Act No. 3 of 1985, foreigners may be permitted, by decree, to invest capital with a view to promoting economic development, facilitating the rendering of a public service or providing a public utility in the field of industry, agriculture, mining, energy, tourism or contracting activities.

2. General guarantees and incentives

72. Qatar approved the proposed regulations for the practice of economic activities in the country by nationals of Gulf Co-operation Council States in accordance with the Unified Economic Agreement which had already been signed by the Heads of the Gulf Co-operation Council States. These regulations include guarantees and facilities in the field of industrial activities and in the field of contracting activities.

73. There are non-specific regulations concerning foreign exchange and unrestricted repatriation of profits on capital. Qatar is party to the Consolidated Agreement for the Investment of Arab Capital in the Arab Countries. This Agreement guarantees free movement of Arab capital within member States of the Agreement, guarantees non-discrimination of Arab capital and secures for the Arab investor the right to transfer his capital to any participant country after paying his due obligations without any legal, administrative or bank restriction (chap. II, sects. 2, 6, and 7 of the Consolidated Agreement). Qatar is a member of the Inter-Arab Investment Guarantee Corporation, whose purpose is to insure private Arab investors against certain non-commercial risks in investments in other Arab countries.

3. Application and approval procedures

74. Under Act No. 3 of 1985, any foreign investor is required to submit an application, together with the supporting documentation, to the Minister of the Economy and Commerce. In addition, the investors permitted by decree must register in the Contractors' Register in the Ministry of the Economy and Commerce and, if allowed to import, also in the Importers' Register in the Ministry of the Economy and Commerce. Investors in industrial and agricultural projects must register in the Importers' Register if the contracts concluded between them and the Government include a provision permitting them to import materials. Foreign companies setting up a branch or agency in Qatar, and Qatar companies in which there is foreign participation, are required to be registered in the Commercial Register in the Ministry of the Economy and Commerce.

4. Administrative authorities

75. The Participation of Non-Qatar Capital in Economic Activity Act established the Committee to Supervise Economic Activity, in the Ministry of Finance and Industry, with responsibility for the administration of the provisions of this Act (arts. 25 to 30).

5. Penalties

76. The Act concerning the participation of non-Qatar capital establishes that, without prejudice to any more severe penalties, whoever violates the rules of this Law or its executive regulation will be fined an amount not exceeding 10,000 Qatar riyals. In the event of repeated contravention, the maximum penalty may be doubled and the closure of the institution may be ordered (arts. 34 and 35).

F. SYRIAN ARAB REPUBLIC

77. There are no specific regulations concerning foreign investment in the Syrian Arab Republic. Various regulations and enactments have been promulgated in order to promote the industrial, agricultural and tourism sectors. These regulations and enactments include the following: Legislative Decree No. 10 of 1986; Decision No. 186 of 1985, concerning investment in the sector of tourism; Legislative Decree No. 103 of 1952, concerning exemptions and assistance for industrial projects; Ministry of Industry Directive No. 4/T/4/3 of 17 February 1977; Ministry of Industry Directive No. 10/T/4/7 of 4 November 1977; Decree No. 1791 of 6 August 1983; and Decree No. 35 of 1986, defining the scope for investment in the industrial sector.

1. Areas of investment and general conditions

78. The Syrian Arab Republic encourages the mixed and private sectors to play a more vigorous and effective role within the context of general State planning. The scope of the mixed sector has been expanded and emphasis has been placed on productive projects in this sector and on the need to promote industrial, agricultural and commercial production by the private sector in such a way as to help the public sector to implement its economic development programmes.

79. Under Legislative Decree No. 10 of 1986, Syrian joint stock companies may be established in the vegetable and animal sectors of the agricultural sector, within the context of the socio-economic development plans, provided that the participation of the public sector amounts to not less than 25 per cent of their capital. The maximum holding by any individual non-public-sector shareholder must not exceed 5 per cent of the total shareholding in the company's capital, and the corresponding land holding must not exceed the maximum area specified in the Agrarian Reform Act, as amended (arts. 1, 5 and 6).

80. Under Decree No. 35 of 1986 defining the scope for investment in the industrial sector, the industries listed in this Decree constitute the private and mixed industrial sector activities for which licences may be granted. Industrial sectors include: food industries; textile industries; chemical industries; and engineering industries (art. 1).

81. Under Decision No. 186 concerning investment in the sector of tourism, the following investing parties benefit from the provisions of this Decision: hotel establishments, tourist accommodation establishments and other tourist installations erected by the Ministry of Tourism and operated by the Ministry on its own account; and tourist establishments of any kind, whether the owners or investors are individuals or legal persons, residents or non-residents, Syrians, Arabs or foreigners (art. 2).

2. General guarantees

82. Under Legislative Decree No. 10 of 1986, companies established in the plant and animal sectors are permitted to retain 70 per cent of the foreign exchange proceeds resulting from their operations and services, the corresponding foreign exchange value being credited to a special account with the Commercial Bank of Syria to be used solely for the purpose of covering their foreign currency requirements in order to pay for their imports and meet their obligations as stipulated by law (art. 10).

83. Decree No. 1791 of 1983 establishes that, without prejudice to the provisions regulating payment of the value of Syrian-manufactured exports at official equivalent prices, the owners of industrial, craft and similar installations in the private sector are permitted to retain up to 50 per cent of the freely convertible foreign currency received in payment for their exported products in accordance with the export undertakings signed by the producers themselves. The amounts retained are paid into a special export-related foreign currency account, opened in the name of the exporting producer himself at any branch of the Commercial Bank of Syria, which is used to pay for the account-holder's imports of materials used in his production process on the basis of documentary letters of credit or bills for collection (arts. 1 and 2).

84. Under Decision No. 196 of 1985, every tourist-approved establishment is allowed to open in its own name a bank account in foreign currencies at the Commercial Bank of Syria. All amounts transferred from abroad by Arab or foreign investors representing their contribution to the capital of the establishment are credited to that account, and all amounts used for financing imports of materials, equipment, tools and furniture necessary for the erection of establishments covered by the provisions of this Decision are debited to that account (art. 7).

85. Investment guarantee agreements are in force with the Federal Republic of Germany, France, Switzerland and the United States. The Syrian Arab Republic is party to the Consolidated Agreement for the Investment of Arab Capital in the Arab Countries. This Agreement guarantees free movement of Arab capital within States members of the Agreement, guarantees non-discrimination of Arab capital and secures for the Arab investor the right to transfer his capital to any participant country after paying his due obligations without any legal, administrative or bank restriction (chap. II, sects. 2, 6, and 7 of the Consolidated Agreement). The Syrian Arab Republic is a member of the Inter-Arab Investment Guarantee Corporation, whose purpose is to insure private Arab investors against certain non-commercial risks in investments in other Arab countries.

3. Application and approval procedures

86. Authorization for the establishment of Syrian joint stock companies to engage, within the context of the State's socio-economic development plans, in both the animal and crop aspects of agricultural investment is subject to approval by decision of the Prime Minister, on the basis of a recommendation by the Economic Committee. The ministerial decree granting approval defines the procedure for the formulation and promulgation of regulations concerning the company and its activity. Companies can thus be authorized, subject to the provisions of Act No. 134 of 1958 and Legislative Decree No. 49 of 1962, to formulate their staff regulations with due regard for the basic principles of public policy, which provide a minimum of legal protection with regard to wages, working hours, the weekly rest period, holidays and working conditions and which lay down specific conditions concerning, inter alia, the employment of women and young persons.

87. Applications for industrial licences under Decree No. 35 of 1986 must be submitted to the Joint Investment Committee of the Prime Minister in prescribed form. The Prime Minister decides on applications submitted. Foreign companies wishing to establish a branch in the Syrian Arab Republic must request registration at the Ministry of Commerce. Similar registration in the Commercial Register is required in the case of private joint stock companies.

4. Facilities and incentives

88. Under Decree No. 10 of 1986, companies enjoy, subject to regulations concerning the suspension, limitation and restriction of imports and the foreign exchange regulations, exemption from import licensing requirements and customs duties in respect of: (a) the machinery, equipment, field working vehicles (excluding saloon cars) and the plant needed for the sole purpose of the achievement of their objectives, provided that items are not offered for sale or hire on the local market; and (b) the materials needed for the sole purpose of the operation of their installations.

89. Under Decree No. 203 of 1952, industrial establishments that are being established or will be established enjoy the following exemptions and facilities: (a) exemption from the profits tax for industrial establishments during the first three years of operation; this applies also to new industries which prove to be beneficial to the country; (b) profits which are set aside in reserve for the expansion of the industry, provided that they amount to not more than 10 per cent of annual profit and are used within two years, are exempted for all industrial establishments; (c) industrial establishments are exempt from the tax on real property for a period of six years in respect of the premises used for housing employees, existing plant or new installations and those premises used by the management side of the industry; and (d) exemption from import duties with respect to the temporary importation of machinery and materials used for new industrial investment.

90. Under Decree No. 186 of 1985, companies' investment in the sector of tourism enjoys the following incentives: (a) exemption from all taxes, rates and municipal charges on the operation of tourism establishments for seven years; (b) exemption from paying income tax on 50 per cent of profits, apparently for an unlimited period; (c) exemption from import licensing requirements and customs duties and other taxes in respect of the import of

building materials, tools, vehicles and other equipment required for construction work provided that, in the case of international and de luxe establishments, these imports do not exceed 50 per cent of total investment costs and, in the case of first and second class establishments, locally produced products of adequate quality are not available and these imports do not exceed 30 per cent of total investment costs; (d) exemption from import licensing requirements in respect of imports of material required for repairs and replacement of furniture and fittings provided that in any one year these imports do not exceed 3 per cent of the preceding year's turnover; (e) exemption from rules regarding opening of accounts in foreign currency, though with some supervision by the banking authorities; (f) the Supreme Council for Tourism, upon the recommendation of the Ministry of Tourism, may grant other tax exemptions, privileges and facilities in addition to those granted under the provisions of this Decree.

5. Administrative authorities

91. The Prime Minister is the major administrative authority responsible for foreign investment, assisted by the Economic Committee, the Joint Investment Committee and the Supreme Council for Tourism.

G. YEMEN

92. The main regulation relating to foreign investment in Yemen is Act No. 1 of 1975 concerning the promotion and regulation of investment. Other regulations relating to foreign investment include: Act No. 106 of 1976 concerning regulations for companies; the Commercial Code enacted by Law No. 39 of 1976; Law No. 114 of 1976 concerning acquisitions of land by foreigners; the Labour Act; and the Residence of Foreigners Act.

1. Definitions

93. Under the Promotion and Regulation of Investment Act, "invested capital" means all fixed assets owned by a project, including those acquired as a result of the reinvestment of profits, resources that are demonstrably owned by the project, such as liquid assets, raw materials used in the project, manufactured or stored goods, spare parts or other assets with a commercial value that are used in the project (art. 1). "Foreign capital" consists of the following: convertible foreign currency and negotiable financial instruments transferred by one or more non-resident foreign individuals or bodies corporate to an economic project in Yemen through an approved bank in accordance with the exchange regulations in force; machinery, equipment and materials which are needed for the implementation or expansion of the economic project and are owned by non-resident foreign persons and imported for the purposes of the project in the State; the rights arising from patents and the ownership of trade marks to be used in the economic project in Yemen; and the profits and reserves accruing from the investment of foreign capital in economic projects in Yemen and which are converted into capital therein (art. 1). A "project" means any venture or institution established, in the name of an individual or body corporate, with national and/or foreign capital and which operates in the field of industrial or agricultural production, tourism or any other economic sector, helps to increase national production and is established in accordance with the provisions of the Law. A "national project" means any project in which 90 per cent or more of the capital is owned by nationals. A "mixed project" means any project in which more than

10 per cent but less than 90 per cent of the total capital is foreign-owned. A "foreign project" means any project in which 90 per cent or more of the capital is foreign-owned (art. 1).

2. Areas of investment

94. Subject to approval by the Minister of Economic Affairs, foreign capital may be employed in all fields of investment, in particular industrial projects, agricultural projects, animal-resource projects and tourist projects (arts. 8 and 9).

3. General guarantees

95. Foreign capital invested in approved economic projects enjoys the following guarantees: (a) the same treatment as that accorded to national capital, regardless of whether the foreign capital is invested independently or in association with national capital; (b) the State undertakes to permit the transfer abroad of the net proceeds from the investment of foreign capital, after payment of all taxes, dues and other financial obligations specified in the laws in force and with due regard for the stipulations contained in the Investment Act, unless any law in force makes special provision for a deduction of part of the gross profits in order to constitute a compulsory or voluntary reserve or any other allocations required by law to meet obligations relating to the rights of persons employed in the project; (c) in the event of liquidation of the project, its non-resident foreign owner or owners are entitled to transfer abroad their respective shares in the foreign capital, in the same currency as that in which it was imported, provided the said capital was registered, on entry, by the competent authority. If the departure of the capital is liable to affect the State's monetary situation, the competent authority may decide to permit the re-export of the capital in equal annual instalments over a maximum of three years; and (d) no investment project whose licensing and registration have been approved by the Government may be expropriated or nationalized. If, for exceptional reasons in the public interest, the Government feels obliged to expropriate or nationalize the project, its owners shall be granted fair compensation and shall be permitted to transfer abroad the amount of the compensation if the project's capital is foreign (arts. 2 to 7).

96. Yemen is a member of the Inter-Arab Investment Guaranteee Corporation, whose purpose is to insure private Arab investors against certain non-commercial risks in investments in other Arab countries.

4. General conditions

97. Under the Promotion and Regulation of Investment Act, in order to benefit from the exemptions and facilities specified in this Act, investment projects shall operate in the industrial, agricultural, animal-resources or tourist sectors or in any other economic sector that helps to strengthen the Yemeni economy and increase national income, regardless of whether such projects have already been established or whether they are being established or expanded, provided they meet the following conditions: the project contributes to the increased production of goods and services and helps to augment exports or reduce imports of some or all such goods and services, thereby achieving a reasonable saving in foreign exchange; the project uses appropriate modern machinery and techniques; the project has a clearly defined programme for

financial investment and production and uses, or encourages the use of, local raw materials; it has appropriate technical and administrative staff; it trains the largest possible number of Yemenis to replace its foreign administrators and technicians; and the establishment of the project is approved by the competent authority and it is entered in the register of developmental investment projects (art. 19).

98. For industrial projects, the value of the machinery and equipment needed for production, excluding land and buildings, must be not less than 250,000 Yemeni rials in the case of national projects, 250,000 US dollars or their equivalent in the case of foreign projects and 125,000 US dollars in the case of mixed projects. For agricultural projects, the value of the machinery and technical equipment used therein, excluding vehicles, must be not less than 500,000 Yemeni rials in the case of national projects, 1 million US dollars or their equivalent in the case of foreign projects and 500,000 dollars in the case of mixed projects. For animal-resource projects, the value of the fixed assets, machinery and equipment, excluding land, must be not less than 500,000 Yemeni rials in the case of national projects, 1 million US dollars or their equivalent in the case of foreign projects and 500,000 dollars in the case of mixed projects. For tourist projects, the capital invested therein, excluding the value of the land, must be not less than 5 million Yemeni rials in the case of national projects, 5 million US dollars or their equivalent in the case of foreign projects, and 1.5 million dollars or their equivalent in the case of mixed projects. Expansion projects in existing ventures must involve a sum of not less than half the above-mentioned amounts (art. 19).

5. Application and approval procedures

99. Under the Promotion and Regulation of Investment Act, permits must be obtained for the establishment of all non-agricultural national investment projects and for all foreign investment projects or projects with foreign capital participation. An application for a permit, together with the requisite documents and forms, is submitted to the Ministry of Economic Affairs. The Minister orders the issue of a permit for the project after ascertaining that the project is economically feasible and compatible with public order and morality. The said order for the issue of a permit specifies the period during which the project is to begin, as well as a reasonable period of time during which the project is to be completed and any other conditions deemed appropriate for the implementation of the project. In addition, the entrepreneurs must apply to the competent department at the Ministry of Economic Affairs for registration of the project within one month from the date on which the establishment of the project has been approved after payment of the stipulated registration fees (arts. 8 to 11).

6. Incentives and facilities

100. Exemptions and facilities granted to investment projects by decision of the Minister on the basis of a recommendation by the Investment Exemption Committee include: (a) machinery, equipment, appliances, spare parts and building materials for tourist projects needed for the implementation or expansion of investment projects are exempt from all types of customs levies, dues and import duty for a period of five years beginning on the date on which authorization is given for the establishment of the project; this period may be extended for a further period of up to three years (art. 15); (b) the

project enjoys a reduction in all types of customs levies, dues and import duty imposed on the raw materials needed for the project's production, as determined by the Investment Exemption Committee; this reduction amounts to 25 per cent of their value, CIF port of arrival, for a period of five years beginning on the date on which the project enters the production stage (art. 16); (c) the investment shall be exempt from the tax levied on the profits of commercial, industrial and other occupations and activities for a period of five years beginning on the date of commencement of production, as determined by the Ministry of Economic Affairs; in addition, in the event of their expansion, the said projects shall be granted the same exemption in proportion to the capital value added to the total project capital; (d) industrial projects may be exempted, by decision of the Committee, from dues and taxes levied on the export of the industrial goods they produce (arts. 17 to 19).

7. Administrative authorities

101. The Ministry of Economic Affairs is the competent authority for the application of the provisions of the Promotion and Regulation of Investment Act. The Investment Exemption Committee, established under this Act, is responsible for the consideration of applications for exemptions and facilities concerning developmental investment projects.

8. Penalties

102. Under the Promotion and Regulation of Investment Act, after consulting the Council of Ministers, the Minister of Economic Affairs may suspend or cancel a permit granted to an investment project if it is found that the person or persons to whom the permit was issued have failed, without valid reason, to take the necessary positive steps to comply with the requirements stipulated in the permit within the specified time-limit, or if it is found that the entrepreneurs have deliberately failed to observe the provisions of this Act, provided the Council of Ministers is informed thereof before the decision is taken (art. 34).

Notes

1/ UNCTAD/ST/ECDC/30 (Part I), UNCTAD/ST/ECDC/30/Add.1 (Part I) and UNCTAD/ST/ECDC/30 (Part II) entitled "Regulation of foreign investments in Africa".

2/ UNCTAD/ST/ECDC/43 (Part I) entitled "Regulation of foreign investments in Asia".

3/ The Law regards citizens of other members of the Gulf Co-operation Council as being Qatar citizens.

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